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# Solutions to ensure a vibrant AEC



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**CHALLENGES:** A strong Asean secretariat, private sector role, SMEs and monitoring mechanism crucial to realise vision

**W**ITHIN the context of realising the Asean Economic Community (AEC), it is without a doubt that whatever Asean leaders are doing and will be doing this year will determine the future for Asean countries and its people. From its humble beginning in 1967, Asean is now poised into making itself a force to be reckoned with globally, and visualising itself as the new economic powerhouse in the world economy.

Asean, as an entity, has all the ingredients towards this end. In terms of gross domestic product (GDP), the combined amount in 2013 was at US\$2.4 trillion (RM8.64 trillion). This makes Asean the seventh largest economy in the world today and it is estimated that by 2050, it will move two spots up to the fifth position.

The Asean population of about 630 million people is the third largest in Asia, just behind China and India. The middle class population appears to be promising. By year 2020, it is expected to amount to 1.75 billion people, up 3.5 times from 500 million in 2010.

Yet, while it will bring opportu-

nities, challenges are abound. Still, moving ahead we must. This is where, Malaysia's leadership as chairman of Asean comes into the picture. Identifying the challenges and formulating the solutions seems to be the only way forward.

Attempting to infuse, and making the vision and theme of Asean immanence to every Asean people is

one great challenge. The other would be the inequality in the level of development of the 10 member countries. And, depending on the effects to the respective member countries, that is, whether it (the AEC) will lead to trade creation or trade diversion, the realisation of AEC could reduce or widen the development inequality gap among member countries post-2015 Asean.

Simply put, trade creation happens when high-cost domestic production is replaced by imports from other member countries whereas trade diversion takes place when low-cost imports from third parties are replaced with higher-cost goods/services from member countries.

Thus, if trade creation effect dominates, then it will bring the development gaps among the 10 Asean member countries closer but if trade diversion dominates, it will exaggerate the situation further.

As Asean also involves other multilateral trade negotiations, such as the Regional Comprehensive Economic Partnership with China, Japan, South Korea, Australia, India, and New Zealand, plus the Trans-Pacific Partnership Agreement which involves 12 countries (though not all Asean nations are involved), assessing the trade creation versus trade diversion effects post-2015 would be definitely crucial and daunting.

So what are the possible solutions?

There are many. Here, I would like to propose a few.

**FIRST**, it is important to revitalise and coordinate a secretariat in each Asean member country with a specific purpose on AEC. Besides conducting research, this secretariat can also play a role of "data

bank" and work closely with relevant bodies in member countries such as ministries of trade and chambers of commerce and also with universities within Asean to promote research and development.

One important role of this effort is to dismantle the non-tariff barriers in the form of formulating "Asean standards" in many aspects of level of certification. Perhaps an equivalent of Sirim standard for Asean can be created; even a halal certification standard for Asean is also a possibility to be looked at.

**SECOND**, there is a need to establish a plan of action focusing on strengthening the private sector participation. Although Afta has been established since 1992, intra-Asean trade is still considered low compared with other regional blocs such as the European Union.

Intra-Asean trade is still static at around 25 per cent for the past few years, and this needs to be increased to more than 35 per cent in the medium term. The mechanism for business promotion must not only disseminate information, but must be able to manage them so that they are presentable and accessible especially via social media networks. This can be done under the supervision of the Asean Chamber of Commerce and Industry and Asean Business Advisory Council to rigorously promote private sector partnership and further development of cooperation in the areas of mutual interests.

**THIRD**, it is extremely vital that the Small and Medium Enterprises (SMEs) are refocused as this can not only enhance intra-Asean trade, but also realise the central theme of people-centred Asean. Conducive

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policies and programmes must be put in place to encourage SMEs of Asean member countries to be more competitive. Programmes must be undertaken to enhance capabilities and capacities such as to focus on marketing and skills upgrading. The other important aspect would be on improving trade facilitation via access to financing.

**FINALLY**, it is important to formulate a monitoring system especially on the implementation of infrastructure projects, such as ports, rails, ICT, etc. This is a massive and crucial element which will pioneer

growth agenda under AEC.

In this regard, priority must be given to the emerging six — Cambodia, Laos, Myanmar, Indonesia, the Philippines, and Vietnam so that it will improve connectivity with the other four Asean countries — Singapore, Brunei, Malaysia, and Thailand to expand their business and market opportunities and eventually reduce their development gaps in the near future. Any attempt of corrupt practices and leakages can be detected early that any possible abuse of power and wastages can be minimised and, if possible, prevent-

ed.

All these are principal in making Asean Community's post-2015 vision a reality, a vision as stated in the Asean Communication Masterplan: to become not only "a politically cohesive, economically integrated, socially responsible" community but also "a truly people-oriented, people-centred and rules-based" community as stated in Bandar Seri Begawan Declaration on Asean Community Post-2015 Vision.

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